

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Lenawee County Medical Care Facility	County Lenawee
Audit Date December 31, 2004	Opinion Date February 10, 2005	Date Accountant Report Submitted To State: March 7, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 750 Trade Centre Way, Suite 300		City Portage	State MI
ZIP 49002			
Accountant Signature 			

Lenawee County Medical Care Facility

**Financial Report
with Additional Information
December 31, 2004**

Lenawee County Medical Care Facility

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Independent Auditor's Report

To the Lenawee County Family
Independence Agency Board
Lenawee County Medical Care Facility

We have audited the accompanying balance sheet of Lenawee County Medical Care Facility (a component unit of Lenawee County) as of December 31, 2004 and 2003 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lenawee County Medical Care Facility at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present the management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Plante & Moran, PLLC

February 10, 2005



A worldwide association of independent accounting firms

Lenawee County Medical Care Facility

Balance Sheet

	December 31, 2004	December 31, 2003
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 1,005,911	\$ 1,012,946
Resident accounts receivable (Note 3)	774,043	721,579
Other current assets - Prepaid expenses	110,542	117,583
Total current assets	1,890,496	1,852,108
Assets Limited as to Use (Note 2)	1,503,220	304,647
Property and Equipment (Note 4)	5,733,367	5,990,029
Deferred Financing Costs	51,879	-
Total assets	\$ 9,178,962	\$ 8,146,784
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 201,312	\$ 233,055
Current portion of long-term debt (Note 5)	125,000	127,866
Funds held for residents	5,802	8,273
Accrued liabilities and other:		
Accrued compensation and related liabilities	320,817	426,542
Deferred revenue (Note 1)	38,904	74,881
Other accrued liabilities	96,251	56,333
Total current liabilities	788,086	926,950
Long-term Debt (Note 5)	1,285,000	1,279,221
Net Assets		
Invested in capital assets - Net of related debt	4,323,367	4,582,942
Unrestricted	2,782,509	1,357,671
Total net assets	7,105,876	5,940,613
Total liabilities and net assets	\$ 9,178,962	\$ 8,146,784

Lenawee County Medical Care Facility

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended	
	December 31, 2004	December 31, 2003
Operating Revenue		
Net service revenue	\$ 8,399,060	\$ 8,002,801
Other operating revenue	12,087	64,645
Proportionate share reimbursement	271,085	191,385
Total operating revenue	8,682,232	8,258,831
Operating Expenses		
Salaries	4,454,117	4,396,182
Other expenses	3,639,397	3,672,956
Total operating expenses	8,093,514	8,069,138
Operating Income	588,718	189,693
Other Income (Expense)		
Interest income	13,081	8,489
Interest expense	(36,536)	(58,127)
Total other expense	(23,455)	(49,638)
Excess of Revenue Over Expenses	565,263	140,055
Transfer from County (Note 8)	600,000	450,000
Increase in Net Assets	1,165,263	590,055
Net Assets - Beginning of year	5,940,613	5,350,558
Net Assets - End of year	<u>\$ 7,105,876</u>	<u>\$ 5,940,613</u>

Lenawee County Medical Care Facility

Statement of Cash Flows

	Year Ended	
	December 31, 2004	December 31, 2003
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	\$ 8,346,596	\$ 7,821,941
Cash paid to employees and suppliers	(7,805,776)	(8,283,367)
Cash received from Proportionate Share Program	235,108	150,436
Other operating receipts	12,087	68,795
Net cash provided by (used in) operating activities	788,015	(242,195)
Cash Flows from Noncapital Financing Activities		
Resident trust deposits (withdrawals)	(2,471)	866
Transfers from other county funds	600,000	450,000
Net cash provided by noncapital financing activities	597,529	450,866
Cash Flows from Investing Activities - Interest received	13,081	8,489
Cash Flows from Capital Financing Activities		
Proceeds from debt	1,410,000	500,000
Principal payments on long-term debt	(1,407,087)	(92,913)
Interest paid	(36,536)	(58,127)
Purchase of property and equipment	(173,464)	(1,530,244)
Net cash used in capital financing activities	(207,087)	(1,181,284)
Net Increase (Decrease) in Cash and Cash Equivalents	1,191,538	(964,124)
Cash and Cash Equivalents - Beginning of year	1,317,593	2,281,717
Cash and Cash Equivalents - End of year	<u><u>\$ 2,509,131</u></u>	<u><u>\$ 1,317,593</u></u>
Balance Sheet Classification of Cash		
Current assets	\$ 1,005,911	\$ 1,012,946
Assets limited as to use	1,503,220	304,647
Total cash	<u><u>\$ 2,509,131</u></u>	<u><u>\$ 1,317,593</u></u>

Lenawee County Medical Care Facility

Statement of Cash Flows (Continued)

A reconciliation of operating income to net cash from operating activities is as follows:

	Year Ended	
	December 31, 2004	December 31, 2003
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 588,718	\$ 189,693
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	430,126	348,321
Provision for bad debts	2,185	319
Accounts receivable	(54,649)	(181,179)
Prepaid expenses	(44,838)	(51,669)
Accounts payable	(31,743)	(425,175)
Accrued liabilities	(105,725)	(117,235)
Other liabilities	39,918	35,679
Deferred revenue	(35,977)	(40,949)
Net cash provided by (used in) operating activities	<u>\$ 788,015</u>	<u>\$ (242,195)</u>

There were no significant noncash investing, capital, and financing activities in 2004.

Significant noncash items during the year ended December 31, 2003 included recording \$126,460 in new project costs, which were reflected in construction payable.

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Nature of Business and Significant Accounting Policies

Lenawee County Medical Care Facility (the "Facility") is a component unit of the County of Lenawee. The financial statements of the Facility are included in the County's general purpose financial statements.

The Facility is a 136-bed, long-term, medical care unit owned and operated by Lenawee County, providing services primarily to the residents of Lenawee County. It is governed by Lenawee County Family Independence Agency Board. This Board consist of three members, two of whom are appointed by the Lenawee County Board of Commissioners, and one appointed by the Michigan governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

Enterprise Fund Accounting - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Basis for Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility now follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Facility's financial activities. No component units are required to be reported in the Facility's financial statements.

Property and Equipment - Property and equipment amounts are recorded at historical cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets.

Compensated Absences - Vacation and sick pay are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Proportionate Share Reimbursement Program - During the years ended December 31, 2004 and 2003, the Facility participated in the PSRP sponsored by the State of Michigan.

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note I - Nature of Business and Significant Accounting Policies (Continued)

In 2004, two transactions were completed. The first transaction in June was recorded in revenue in relation to the State fiscal year ended September 30, 2004. The second transaction in October was for the State fiscal year ending September 30, 2005 and therefore was recognized one quarter in revenue and three quarters in deferred revenue. The first transaction included an amount equal to approximately 3 percent of the annual Medicaid reimbursement in lieu of the normal adjustment or inflation factor.

In 2003, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2003. The second transaction in October was for the State fiscal year ended September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

Service Revenue - The Facility's principal activity is operating the long-term health care facility for the elderly. Revenue is derived from participation in the Medicaid and Medicare programs, as well as from private pay residents. Amounts earned under the Medicaid and Medicare programs are subject to review and audit by the third-party payors, and make up a significant portion of revenue earned during each year, as follows:

	2004	2003
Percent of revenue:		
Medicaid	73 %	71 %
Medicare	4 %	6 %

The payment methodology related to these programs is based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Medicaid reimburses the Facility for inresident routine service costs, on a per diem basis, prospectively determined. Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note I - Nature of Business and Significant Accounting Policies (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Operating Revenues and Expenses - The Facility's statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Facility's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonexchange revenues, including taxes, interest, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing cost.

Net Assets - Net assets of the Facility are classified in two components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Resident Funds - The Facility maintains various bank accounts for deposits and disbursements for the residents' personal expenses. These funds are assets of the residents.

Reclassifications - Certain prior year classifications have been changed to correspond with 2004 classifications.

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note 2 - Deposits

The Facility's deposits are composed of the following:

	2004		2003	
	Cash	Cash Limited as to Use	Cash	Cash Limited as to Use
Deposits:				
County	\$ 988,515	\$ 1,503,220	\$ 994,373	\$ 304,647
Bank	17,396	-	18,573	-
Total	<u>\$ 1,005,911</u>	<u>\$ 1,503,220</u>	<u>\$ 1,012,946</u>	<u>\$ 304,647</u>

Cash - County Treasurer - These funds were under the control of the County Treasurer, who deposited these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits.

Cash - Bank - The federal depository insurance coverage pertains to all the deposits of the County; hence, the specific coverage pertaining to the Facility's deposits is not determinable.

Cash Limited as to Use - Cash limited as to use consists of funds designated by the FIA Board for future capital purchases and unexpended loan proceeds restricted for capital purchases.

Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are as follows:

	2004	2003
Resident accounts receivable	\$ 788,164	\$ 1,453,416
Uncollectible accounts	(145,416)	(145,416)
Medicaid interim payment (advances) receivable	131,295	(586,421)
Net resident accounts receivable	<u>\$ 774,043</u>	<u>\$ 721,579</u>

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note 3 - Resident Accounts Receivable (Continued)

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	2004	2003
Medicare	14 %	8 %
Medicaid	65 %	85 %
Other payors	21 %	7 %
Total	100 %	100 %

Note 4 - Property and Equipment

Cost of property and equipment and related depreciable lives for December 31, 2004 and 2003 are summarized below:

	January 1, 2004	Additions	Transfers	December 31, 2004	Depreciable Life - Years
Land and land improvements	\$ 788,414	\$ -	\$ -	\$ 788,414	5-20
Building	6,894,451	88,717	-	6,983,168	5-20
Equipment	2,353,935	84,747	-	2,438,682	5-20
Total	10,036,800	173,464	-	10,210,264	
Less accumulated depreciation:					
Land and land improvements	145,801	293,792	-	439,593	
Building	2,631,971	47,064	-	2,679,035	
Equipment	1,268,999	89,270	-	1,358,269	
Total	4,046,771	430,126	-	4,476,897	
Net carrying amount	\$ 5,990,029	\$ (256,662)	\$ -	\$ 5,733,367	

	January 1, 2003	Additions	Transfers	December 31, 2003	Depreciable Life - Years
Land and land improvements	\$ 117,007	\$ 671,407	\$ -	\$ 788,414	5-20
Building	2,966,042	49,568	3,878,841	6,894,451	5-20
Equipment	1,544,666	809,269	-	2,353,935	5-20
Construction in progress	3,878,841	-	3,878,841)	-	
Total	8,506,556	1,530,244	-	10,036,800	
Less accumulated depreciation:					
Land and land improvements	98,819	46,982	-	145,801	
Building	2,420,156	211,815	-	2,631,971	
Equipment	1,179,475	89,524	-	1,268,999	
Total	3,698,450	348,321	-	4,046,771	
Net carrying amount	\$ 4,808,106	\$ 1,181,923	\$ -	\$ 5,990,029	

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note 4 - Property and Equipment (Continued)

During 2003, Lenawee County Building Authority completed construction on a new addition to the Facility. The total cost of the project was approximately \$5.3 million. To finance the project, County bonds of approximately \$1.4 million were issued and the balance was paid from existing Facility funds.

Note 5 - Long-term Debt

Long-term liability activity for the years ended December 31, 2004 and 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2004	<u>\$ 1,407,087</u>	<u>\$ 1,410,000</u>	<u>\$ (1,407,087)</u>	<u>\$ 1,410,000</u>
2003	<u>\$ 1,000,000</u>	<u>\$ 500,000</u>	<u>\$ (92,913)</u>	<u>\$ 1,407,087</u>

During 2003, the Facility temporarily borrowed a total of \$1,500,000 from Lenawee County with interest at 4 percent. During 2004, General Obligation bonds were issued through Lenawee County. Interest on the bonds range from 2 percent to 3.5 percent and annual payments range from \$125,000 in 2005 to \$165,000 in 2014.

The following is a schedule by years of bond principal and interest as of December 31, 2004:

	<u>Bond Payable</u>	<u>Bond Interest</u>
2005	\$ 125,000	\$ 41,317
2006	125,000	35,543
2007	130,000	32,830
2008	130,000	29,743
2009	135,000	26,261
2010-2014	<u>765,000</u>	<u>65,772</u>
Total payments	<u>\$ 1,410,000</u>	<u>\$ 231,466</u>

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note 6 - Defined Benefit Multiple Employer Pension Plan

Plan Description - Facility

The Facility participates in the Lenawee County Board of Commissioners Retirement Income Plan, which is a multiple-employer defined benefit pension plan that covers all employees of the County who have completed 1,000 hours or more per year of service and elect to receive coverage. The plan provides retirement benefits, as well as death and disability benefits, to the plan members and their beneficiaries. The Lenawee County Board of Commissioners Retirement Income Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the plan sponsor at the Lenawee County Board of Commissioners, 301 N. Main Street, Adrian, Michigan 49221.

Funding Policy

The obligation to contribute to and maintain the system for the covered employees was established in the Lenawee County Board of Commissioners Retirement Income Plan and requires a contribution from the employees of Group 01 of 5.00 percent, from the Groups 04 and 05 of 4.5 percent, and all other groups of 2.50 percent. The funding policy provides for periodic employer contributions at an actuarially determined rate equal to the normal cost, plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liabilities over 17 years. The Facility's contributions to the plan for the plan years ended December 31, 2004, 2003, and 2002 were \$212,283, \$256,006, and \$220,115, respectively, equal to the required contribution for each year.

Note 7 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for property, loss, torts, errors and omissions, and medical benefit claims, and participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance and to pay member claims in excess of deductible amounts.

Lenawee County Medical Care Facility

Notes to Financial Statements December 31, 2004 and 2003

Note 8 - Related Party Transactions

As discussed in Note 1, the Facility is related to the County of Lenawee.

Borrowings from Other County Funds - See Note 5 for details.

Transfer from Other County Funds - During the years ended December 31, 2004 and 2003, the County transferred \$600,000 and \$450,000, respectively, to the Facility for operations.

Maintenance of Effort (M.O.E.) - M.O.E. is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each medical patient day approved by the State during that month. Expenses relating to M.O.E. are not included in the financial statements as they were paid directly by the County.

Note 9 - Hill-Burton Obligation

The Facility received a federal grant under the Hill-Burton program to assist in the construction of the existing building. All facilities that received these grants are required to provide charity care to individuals qualifying under income limits set by the Hill-Burton program. Although the Facility has made this charity care available, it has not received any applications for the charity care. Currently, the Facility still has an obligation to provide charity care under the Hill-Burton program.

Additional Information



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To the Lenawee County Family
Independence Agency Board
Lenawee County Medical Care Facility

We have audited the basic financial statements of Lenawee County Medical Care Facility as of December 31, 2004 and 2003. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of net service revenue and operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 10, 2005

Lenawee County Medical Care Facility

Schedule of Net Service Revenue

	Year Ended December 31	
	2004	2003
Skilled Nursing Services		
Daily net room revenue:		
Medicaid	\$ 6,103,105	\$ 5,695,740
Medicare	352,395	447,874
Private pay and other	1,017,950	999,447
Total daily net room revenue	7,473,450	7,143,061
Ancillary revenue:		
Pharmacy	170,945	188,077
Therapy services	2,537,826	1,905,700
Other ancillary services	30,485	66,461
Total ancillary revenue	2,739,256	2,160,238
Gross Skilled Nursing Services Revenue	10,212,706	9,303,299
Revenue deductions:		
Provision for contractual discounts	1,811,461	1,300,179
Bad debt expense	2,185	319
Total revenue deductions	1,813,646	1,300,498
Net Service Revenue	\$ 8,399,060	\$ 8,002,801

Lenawee County Medical Care Facility

Schedule of Operating Expenses

	Year Ended December 31		
	2004		2003
	Salaries	Other	Total
Fringe benefits	\$ -	\$ 927,378	\$ 927,378
Administration	378,711	213,418	592,129
Plant operations	94,057	223,984	318,041
Utilities	-	193,386	193,386
Laundry	151,557	26,539	178,096
Housekeeping	262,009	41,471	303,480
Dietary	475,346	385,202	860,548
Social services	88,344	454	88,798
Diversional therapy	179,158	4,206	183,364
Other ancillary services	17,762	23,813	41,575
Therapy services	-	577,613	577,613
Pharmacy	-	158,220	158,220
Nursing	2,807,173	433,559	3,240,732
Other services	-	28	28
Depreciation and amortization	-	430,126	430,126
2004 totals	<u>\$ 4,454,117</u>	<u>\$ 3,639,397</u>	<u>\$ 8,093,514</u>
2003 totals	<u>\$ 4,396,182</u>	<u>\$ 3,672,956</u>	<u>\$ 8,069,138</u>